

DES MOINES COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

JUNE 30, 2014

DES MOINES COUNTY, IOWA

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DES MOINES COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Beck	Board of Supervisors	January 2017
Tom Broeker	Board of Supervisors	January 2015
Jim Cary	Board of Supervisors	January 2017
Carol Copeland	County Auditor	January 2017
Brenda Buck	County Treasurer	January 2015
Lisa Schreiner	County Recorder	January 2015
Mike Johnstone	County Sheriff	January 2017
Patrick Jackson	County Attorney	January 2015
Matt Warner	County Assessor	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Des Moines County, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa at June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Des Moines County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2012 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2015 on our consideration of Des Moines County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Des Moines County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 14, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Des Moines County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## 2014 FINANCIAL HIGHLIGHTS

- ◆ County revenue increased 6.6%, or \$1,531,116 from fiscal year 2013 to 2014.
- ◆ County program expenses were 2.4%, or \$481,442 more in fiscal year 2014 than in 2013.
- ◆ The County's net position increased 9.7%, or \$4,018,769, during the year ended June 30, 2014.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Des Moines County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Des Moines County, Iowa's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Des Moines County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

#### Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net position of governmental activities.

# Net Position of Governmental Activities

	June 30, 2014	June 30, 2013
Current and other assets	\$ 27,522,822	\$ 24,149,040
Capital assets	<u>36,805,542</u>	<u>34,847,040</u>
Total assets	<u>64,328,364</u>	<u>58,996,080</u>
Long-term liabilities	3,838,456	3,182,076
Other liabilities	<u>828,770</u>	<u>678,716</u>
Total liabilities	<u>4,667,226</u>	<u>3,860,792</u>
Deferred inflows of resources	14,339,809	13,832,728
Net position:		
Net investment in capital assets	35,332,900	34,786,386
Restricted	10,451,173	7,927,489
Unrestricted	<u>(462,744)</u>	<u>(1,411,315)</u>
Total net position	\$ <u>45,321,329</u>	\$ <u>41,302,560</u>

Net position of the County's governmental activities increased by 9.7% (\$45,321,329 compared to \$41,302,560). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$(1,411,315) at June 30, 2013 to \$(462,744) at June 30, 2014, an increase of 67.2%.

## Changes in Net Position of Governmental Activities

	June 30, 2014	June 30, 2013
Revenues:		
Program revenues:		
Charges for service	\$ 1,902,585	\$ 2,133,036
Operating grants, contributions and restricted interest	3,862,840	3,988,479
Capital grants, contributions and restricted interest	2,646,354	793,583
General revenues:		
Property and other County tax	13,395,455	13,286,304
Penalty and interest on property tax	160,934	148,982
State tax credits	747,648	508,442
Local option sales tax	1,650,431	1,670,198
Unrestricted investment earnings	83,135	72,044
Other general revenues	377,115	683,875
Loss on disposal of capital assets	<u>(10,438)</u>	<u>-</u>
Total revenues	<u>24,816,059</u>	<u>23,284,943</u>
Program expenses:		
Public safety and legal services	6,475,241	6,298,996
Physical health and social services	1,431,421	1,355,448
Mental health	1,463,561	1,492,738
County environment and education	1,477,277	1,562,857
Roads and transportation	5,846,722	5,214,559
Governmental services to residents	1,033,052	955,650
Administration	3,012,467	3,348,710
Interest on long-term debt	<u>57,549</u>	<u>86,390</u>
Total expenses	<u>20,797,290</u>	<u>20,315,348</u>
Change in net position	4,018,769	2,969,595
Net position – Beginning of year	<u>41,302,560</u>	<u>38,332,965</u>
Net position – End of year	\$ <u>45,321,329</u>	\$ <u>41,302,560</u>

The results of governmental activities for the year resulted in Des Moines County, Iowa's net position increasing by \$4,018,769. Revenues for governmental activities increased by \$1,531,116 from the prior year, including increases in capital grants, contributions and restricted interest. Expenditures increased by \$481,942 including increases in public safety and legal services and roads and transportation expenses.



The cost of all governmental activities this year was \$20,797,290 compared to \$20,315,348 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities through County taxes was only \$12,385,511 because some of the cost was paid by those directly benefited from the programs (\$1,902,585) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,509,194).

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As the County completed the year, its governmental funds reported a combined fund balance of \$11,944,800, which is an increase of \$2,638,383 from last year's total of \$9,306,417. The majority of the increase is due to the issuance of long-term debt in the current year.

- General Fund revenues decreased by .6% and expenditures increased 1.84%, when compared to the prior year. The ending fund balance showed an increase from the prior year of \$1,532,188 from \$1,882,405 to \$3,414,593.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$886,382, an increase of 1.3% from the prior year. The Mental Health Fund balance at year end increased by \$1,103,891 from the prior year due to increased revenues.
- Secondary Roads Fund revenues increased \$329,980 from the prior year. As a result, there was an increase in the Secondary Roads Fund ending balance of \$226,545, or 5.9%.
- Rural Services Fund revenues increased \$77,288 from the previous year and its ending fund balance increased from the prior year by \$167,182 to \$517,328.
- During the year ended June 30, 2014, debt service payments decreased \$1,371,268. At the end of the year, the ending fund balance in the Debt Service Fund had decreased by \$418,453 to \$1,394,827.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Des Moines County, Iowa amended its budget two times. As a result of the amendments, receipts were increased by \$1,137,043 (\$1,128,872 increase in intergovernmental receipts) and disbursements were increased by \$1,835,045 (\$1,121,000 increase in roads and transportation). The amendments were made on April 15, 2014 and June 10, 2014. Even with the budget amendments, the County exceeded the amount budgeted in the Capital Projects Function for the year ended June 30, 2014. The County underspent its original budget of \$24,160,403 by \$2,635,089.

### **CAPTIAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, Des Moines County, Iowa had \$36,805,542 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This amount represents a net increase (including additions, deletions and depreciation/amortization) of \$1,958,502 or 5.61% more than the prior year. The majority of this increase was due to more infrastructure additions in the current year.

#### **Capital Assets of Governmental Activities at Year End**

	June 30, <u>2014</u>	June 30, <u>2013</u>
Land	\$ 4,634,613	\$ 4,634,613
Intangibles (net)	170,602	192,153
Construction in progress	1,398,646	941,324
Buildings and improvements (net)	4,650,855	4,837,051
Equipment and vehicles (net)	3,208,936	2,996,410
Infrastructure (net)	<u>22,741,890</u>	<u>21,245,489</u>
Totals	\$ <u>36,805,542</u>	\$ <u>34,847,040</u>
The year's major additions included:		
Construction in progress	\$ 457,322	\$ 373,836
Buildings and improvements	129,300	19,190
Infrastructure	2,543,181	1,682,843
Machinery and equipment	966,898	874,699
Land	-	17,800
	\$ <u>4,096,701</u>	\$ <u>2,968,368</u>

The County had depreciation/amortization expense of \$2,127,761 for the year ended June 30, 2014, and total accumulated depreciation/amortization as of June 30, 2014 of \$33,956,567.

#### Long-term Debt

At June 30, 2014, the County had \$2,862,642 in general obligation notes and other debt compared to \$2,145,654 at June 30, 2013, as shown below.

#### Outstanding Debt of Governmental Activities at Year-End

	June 30, <u>2014</u>	June 30, <u>2013</u>
General obligation capital loan notes	\$ 2,845,000	\$ 2,085,000
Capital leases	<u>17,642</u>	<u>60,654</u>
Totals	\$ <u>2,862,642</u>	\$ <u>2,145,654</u>

During the current year \$1,455,000 of general obligation capital loan notes were issued and \$738,012 was paid on existing County debt.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$74,554,859. Other obligations include capital leases. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Des Moines County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2015 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of June 2014) now stands at 5.3% versus 6.4% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

Inflation in the State is lower than the national Consumer Price Index increase. The State's CPI increase was 3.615% for the twelve month period ended June 2014 compared with the national increase of 4.839%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are decreasing by \$498,003 compared to the final fiscal year 2014 budget. Intergovernmental revenues are expected to make up the majority of this decrease. Budgeted disbursements are expected to increase by \$426,284 compared to the final fiscal year 2014 budget. Increases in county environment and education expenditures represent the majority of the increase. The County has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$3,426,866 by the close of fiscal year 2015.

#### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Des Moines County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Des Moines County Auditor's Office, 513 N. Main Street, Burlington, Iowa 52601.

## BASIC FINANCIAL STATEMENTS

## DES MOINES COUNTY, IOWA

STATEMENT OF NET POSITION  
JUNE 30, 2014Governmental  
ActivitiesASSETS:

Cash, cash equivalents and pooled investments	\$ 10,176,981
Receivables:	
Property tax:	
Delinquent	75,482
Succeeding year	14,339,809
Interest and penalty on property tax	338,358
Accounts	70,512
Interest	6,743
Loan	1,390,000
Due from other governments	924,430
Inventories	200,507
Capital assets (net of accumulated depreciation/amortization)	36,805,542
Total assets	<u>64,328,364</u>

LIABILITIES:

Accounts payable	722,818
Salaries and benefits payable	70,026
Due to other governments	31,529
Accrued interest	4,397
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	695,000
Early retirement	20,248
Compensated absences	313,860
Capital leases	11,906
Portion due or payable after one year:	
General obligation bonds	2,150,000
Early retirement	49,000
Compensated absences	530,363
Capital leases	5,736
Net OPEB liability	62,343
Total liabilities	<u>4,667,226</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable property tax revenue	<u>14,339,809</u>
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NET POSITION:

Net investment in capital assets	35,332,900
Restricted for:	
Mental health	2,423,525
Secondary roads	4,069,551
Rural services	517,328
Supplemental levy	642,643
Debt service	1,394,827
Other purposes	1,403,299
Unrestricted	(462,744)
Total net position	<u>\$ 45,321,329</u>

## DES MOINES COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses				
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
Governmental activities:					
Public safety and legal services	\$ 6,475,241	\$ 615,665	\$ 326,257	\$ -	\$ (5,533,319)
Physical health and social services	1,431,421	274,328	8,536	-	(1,148,557)
Mental health	1,463,561	44,167	465,308	-	(954,086)
County environment and education	1,477,277	67,336	390,563	314,300	(705,078)
Roads and transportation	5,846,722	47,127	2,672,176	2,332,054	(795,365)
Governmental services to residents	1,033,052	808,220	-	-	(224,832)
Administration	3,012,467	45,742	-	-	(2,966,725)
Interest on longterm debt	57,549	-	-	-	(57,549)
Total	\$ 20,797,290	\$ 1,902,585	\$ 3,862,840	\$ 2,646,354	(12,385,511)
<b><u>GENERAL REVENUES:</u></b>					
Property and other County tax levied for:					
General purposes					13,107,233
Debt service					288,222
Local option sales tax					1,650,431
Penalty and interest on property tax					160,934
State tax credits					747,648
Unrestricted investment earnings					83,135
Loss on disposal of capital assets					(10,438)
Miscellaneous					377,115
Total general revenues					16,404,280
Change in net position					4,018,769
<b><u>NET POSITION</u></b> - Beginning of year					41,302,560
<b><u>NET POSITION</u></b> - End of year					\$ 45,321,329

DES MOINES COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		
		<u>Mental Health</u>	<u>Secondary Roads</u>	<u>Rural Services</u>
Cash, cash equivalents and pooled investments	\$ 3,343,430	\$ 2,492,998	\$ 3,656,623	\$ 554,756
Receivables:				
Property tax:				
Delinquent	53,689	9,498	-	10,618
Succeeding year	10,199,589	1,804,443	-	2,017,110
Interest and penalty on property tax	338,358	-	-	-
Accounts	60,160	74	9,667	-
Accrued interest	6,725	-	-	-
Loan	-	-	-	-
Due from other governments	550,122	4,469	315,757	54,082
Inventories	-	-	200,507	-
<b>TOTAL ASSETS</b>	<b>\$ 14,552,073</b>	<b>\$ 4,311,482</b>	<b>\$ 4,182,554</b>	<b>\$ 2,636,566</b>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 492,815	\$ 64,415	\$ 84,800	\$ 80,788
Salaries and benefits payable	42,333	680	26,776	237
Due to other governments	10,696	8,921	1,427	10,485
Total liabilities	<u>545,844</u>	<u>74,016</u>	<u>113,003</u>	<u>91,510</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenue:				
Succeeding year property tax	10,199,589	1,804,443	-	2,017,110
Other	392,047	9,498	-	10,618
Total deferred inflows of resources	<u>10,591,636</u>	<u>1,813,941</u>	<u>-</u>	<u>2,027,728</u>
<u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	200,507	-
Restricted for:				
Debt service	-	-	-	-
Supplemental levy purposes	642,643	-	-	-
Mental health	-	2,423,525	-	-
Secondary roads	-	-	3,869,044	-
Rural services	-	-	-	517,328
Other Purposes	1,278,323	-	-	-
Assigned for:				
County attorney collections	93,761	-	-	-
Geographic information system	91,922	-	-	-
Correctional facility	74,972	-	-	-
Sheriff reserve officers	22,165	-	-	-
Transitional apartments	10,442	-	-	-
Other Purposes	9,270	-	-	-
Unassigned	1,191,095	-	-	-
Total fund balances	<u>3,414,593</u>	<u>2,423,525</u>	<u>4,069,551</u>	<u>517,328</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 14,552,073</b>	<b>\$ 4,311,482</b>	<b>\$ 4,182,554</b>	<b>\$ 2,636,566</b>

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 4,827	\$ 124,347	\$ 10,176,981
1,677	-	75,482
318,667	-	14,339,809
-	-	338,358
-	611	70,512
-	18	6,743
1,390,000	-	1,390,000
-	-	924,430
-	-	200,507
<u>\$ 1,715,171</u>	<u>\$ 124,976</u>	<u>\$ 27,522,822</u>
\$ -	\$ -	\$ 722,818
-	-	70,026
-	-	31,529
-	-	824,373
318,667	-	14,339,809
1,677	-	413,840
320,344	-	14,753,649
-	-	200,507
1,394,827	-	1,394,827
-	-	642,643
-	-	2,423,525
-	-	3,869,044
-	-	517,328
-	124,976	1,403,299
-	-	93,761
-	-	91,922
-	-	74,972
-	-	22,165
-	-	10,442
-	-	9,270
-	-	1,191,095
<u>1,394,827</u>	<u>124,976</u>	<u>11,944,800</u>
<u>\$ 1,715,171</u>	<u>\$ 124,976</u>	<u>\$ 27,522,822</u>

DES MOINES COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

TOTAL GOVERNMENTAL FUND BALANCES	\$ 11,944,800
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$70,762,109 and the accumulated depreciation/amortization is \$33,956,567.

36,805,542

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental

Property tax

413,840

Long-term liabilities, including accrued interest payable, general obligation capital loan notes, capital leases, compensated absences, early retirement and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(3,842,853)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 45,321,329



DES MOINES COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

		<u>Special Revenue</u>	
	<u>General</u>	<u>Mental Health</u>	<u>Secondary Roads</u>
<b><u>REVENUES:</u></b>			
Property and other county tax	\$ 9,437,853	\$ 1,680,083	\$ -
Interest and penalty on property tax	160,934	-	-
Local option sales tax	495,130	-	825,216
Intergovernmental	2,561,032	312,699	3,063,723
Licenses and permits	58,887	-	11,670
Charges for service	904,682	-	33
Use of money and property	130,845	60	-
Miscellaneous	382,102	44,182	29,725
Total revenues	<u>14,131,465</u>	<u>2,037,024</u>	<u>3,930,367</u>
<b><u>EXPENDITURES:</u></b>			
Operating:			
Public safety and legal services	6,194,219	-	-
Physical health and social services	1,377,653	-	-
Mental health	532,466	886,382	-
County environment and education	1,370,233	-	-
Roads and transportation	-	-	5,139,485
Governmental services to residents	983,798	-	-
Administration	2,971,875	-	-
Debt service	-	-	-
Capital projects	458,023	-	360,314
Total expenditures	<u>13,888,267</u>	<u>886,382</u>	<u>5,499,799</u>
Excess (deficiency) of revenues over (under) expenditures	243,198	1,150,642	(1,569,432)
Other financial sources (uses):			
Proceeds from long-term debt	-	-	-
Operating transfers in	1,519,009	-	1,795,977
Operating transfers out	(230,019)	(46,751)	-
Total other financing sources (uses)	<u>1,288,990</u>	<u>(46,751)</u>	<u>1,795,977</u>
Change in fund balances	1,532,188	1,103,891	226,545
<b><u>FUND BALANCES</u></b> - Beginning of year	<u>1,882,405</u>	<u>1,319,634</u>	<u>3,843,006</u>
<b><u>FUND BALANCES</u></b> - End of year	\$ <u>3,414,593</u>	\$ <u>2,423,525</u>	\$ <u>4,069,551</u>

See Notes to Financial Statements

<u>Special Revenue</u>		<u>Nonmajor</u>	
<u>Rural</u>	<u>Debt</u>	<u>Governmental</u>	
<u>Services</u>	<u>Service</u>	<u>Funds</u>	<u>Total</u>
\$ 1,910,161	\$ 288,022	\$ -	\$ 13,316,119
-	-	-	160,934
330,086	-	-	1,650,432
82,141	45,000	22,632	6,087,227
-	-	-	70,557
-	-	6,614	911,329
-	17,258	185	148,348
-	-	-	456,009
<u>2,322,388</u>	<u>350,280</u>	<u>29,431</u>	<u>22,800,955</u>
97,877	-	-	6,292,096
-	-	-	1,377,653
-	-	-	1,418,848
386,811	-	-	1,757,044
104,560	-	-	5,244,045
-	-	2,401	986,199
-	-	-	2,971,875
-	751,475	-	751,475
-	-	-	818,337
<u>589,248</u>	<u>751,475</u>	<u>2,401</u>	<u>21,617,572</u>
1,733,140	(401,195)	27,030	1,183,383
-	1,455,000	-	1,455,000
-	-	-	3,314,986
<u>(1,565,958)</u>	<u>(1,472,258)</u>	<u>-</u>	<u>(3,314,986)</u>
<u>(1,565,958)</u>	<u>(17,258)</u>	<u>-</u>	<u>1,455,000</u>
167,182	(418,453)	27,030	2,638,383
<u>350,146</u>	<u>1,813,280</u>	<u>97,946</u>	<u>9,306,417</u>
\$ 517,328	\$ 1,394,827	\$ 124,976	\$ 11,944,800

DES MOINES COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,638,383

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay and capital assets contributed by the Iowa Department of Transportation exceeded depreciation/amortization expense in the current year as follows:

Expenditures for capital assets	\$ 2,150,496	
Capital assets contributed by the Iowa Department of Transportation	1,946,205	
Loss on disposal	(10,438)	
Depreciation/amortization expense	<u>(2,127,761)</u>	1,958,502

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

Property tax	79,338
--------------	--------

Proceeds from issuing long term liabilities provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year debt repayments are as follows:

Proceeds	(1,455,000)	
Repaid	<u>738,012</u>	(716,988)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	19,283	
Interest on long-term debt	(1,074)	
Compensated absences	40,517	
Net OPEB liability	<u>808</u>	<u>59,534</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,018,769

DES MOINES COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2014ASSETS

## Cash, cash equivalents and pooled investments:

County Treasurer	\$ 3,507,387
Other County officials	183,266

## Receivables:

Accounts receivable	56,031
Accrued interest	62

## Property tax receivable:

Delinquent	213,708
Succeeding year	40,599,149

Due from other governments	74,100
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Total assets	<u>44,633,703</u>
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LIABILITIES

Accounts payable	18,072
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Due to other governments	44,438,857
--------------------------	------------

Salaries and benefits payable	1,586
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Compensated absences	48,876
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Trusts payable	<u>126,312</u>
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Total liabilities	<u>44,633,703</u>
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NET POSITION	\$ <u>          </u>
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DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Des Moines County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, Assessor and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Des Moines County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission and Des Moines County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County, Iowa and the City of Burlington, Iowa.

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.



DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Infrastructure	10-65
Buildings	20-50
Building improvements	20-50
Intangibles	3-20
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the capital projects function.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (Continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$8,295 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads Fund	General Fund	\$ 230,019
	Special Revenue: Rural Services Fund	<u>1,565,958</u>
		<u>1,795,977</u>
General Fund	Special Revenue: Mental Health Fund	46,751
	Debt Service Fund	<u>1,472,258</u>
		<u>1,519,009</u>
Total		\$ <u>3,314,986</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

**NOTE 4: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 4,634,613	\$ -	\$ -	\$ 4,634,613
Intangibles, road network	141,633	-	-	141,633
Intangibles, other	7,418	-	-	7,418
Construction in progress, other	941,324	457,322	-	1,398,646
Construction in progress, road network	-	2,543,181	2,543,181	-
Total capital assets not being depreciated/amortized	<u>5,724,988</u>	<u>3,000,503</u>	<u>2,543,181</u>	<u>6,182,310</u>
Capital assets being depreciated/ amortized:				
Buildings	7,368,118	-	-	7,368,118
Improvements other than buildings	2,087,681	129,300	5,777	2,211,204
Equipment and vehicles	9,762,143	966,898	629,844	10,099,197
Intangibles, other	214,706	-	51,950	162,756
Infrastructure, road network	39,628,282	2,543,181	-	42,171,463
Infrastructure, other	2,567,061	-	-	2,567,061
Total capital assets being depreciated/amortized	<u>61,627,991</u>	<u>3,639,379</u>	<u>687,571</u>	<u>64,579,799</u>
Less accumulated depreciation/ amortization for:				
Buildings	3,499,573	245,812	-	3,745,385
Improvements other than buildings	1,119,175	69,684	5,777	1,183,082
Equipment and vehicles	6,765,733	743,934	619,406	6,890,261
Intangibles, other	171,604	21,551	51,950	141,205
Infrastructure, road network	20,716,160	996,355	-	21,712,515
Infrastructure, other	233,694	50,425	-	284,119
Total accumulated depreciation/ amortization	<u>32,505,939</u>	<u>2,127,761</u>	<u>677,133</u>	<u>33,956,567</u>
Total capital assets being depreciated/amortized, net	<u>29,122,052</u>	<u>1,511,618</u>	<u>10,438</u>	<u>30,623,232</u>
Governmental activities capital assets, net	\$ <u>34,847,040</u>	\$ <u>4,512,121</u>	\$ <u>2,553,619</u>	\$ <u>36,805,542</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 215,619
Physical health and social services	9,356
Mental health	125,503
County environment and education	147,534
Roads and transportation	1,459,649
Governmental services	1,059
Administration	<u>169,041</u>
Total depreciation/amortization expense – governmental activities	\$ <u>2,127,761</u>

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 10,696
Special Revenue:		
Mental Health	Services	8,921
Secondary Roads	Services	1,427
Rural Services	Services	10,485
		<u>20,833</u>
Total for governmental funds		\$ <u>31,529</u>
Agency:		
Schools	Collections	\$ 21,416,522
Corporations		17,394,958
Community colleges		1,481,993
Auto license and use tax		937,480
County assessor		1,999,748
Townships		292,387
Agricultural extension education		269,687
All other		<u>646,082</u>
Total for agency funds		\$ <u>44,438,857</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Early Retirement</u>	<u>Total</u>
Balance beginning of year	\$ 2,085,000	\$ 60,654	\$ 884,740	\$ 63,151	\$ 88,531	\$ 3,182,076
Increases	1,455,000	-	291,858	-	-	1,746,858
Decreases	<u>(695,000)</u>	<u>(43,012)</u>	<u>(332,375)</u>	<u>(808)</u>	<u>(19,283)</u>	<u>(1,090,478)</u>
Balance end of year	\$ <u>2,845,000</u>	\$ <u>17,642</u>	\$ <u>844,223</u>	\$ <u>62,343</u>	\$ <u>69,248</u>	\$ <u>3,838,456</u>
Due within one year	\$ <u>695,000</u>	\$ <u>11,906</u>	\$ <u>313,860</u>	\$ -	\$ <u>20,248</u>	\$ <u>1,041,014</u>

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 6: LONG-TERM LIABILITIES (Continued)

Notes Payable:

A summary of the County's June 30, 2014 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	<u>Series 2013</u> Issued December 4, 2013				<u>Series 2011A</u> Issued October 18, 2011			
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>		<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	
2015	2.00 %	\$ 280,000	\$ 29,100		2.00 %	\$ 350,000	\$ 19,393	
2016	2.00	285,000	23,500		2.00	355,000	12,392	
2017	2.00	290,000	17,800		1.45	365,000	5,292	
2018	2.00	295,000	12,000			-	-	
2019	2.00	305,000	6,100			-	-	
		<u>\$ 1,455,000</u>	<u>\$ 88,500</u>			<u>\$ 1,070,000</u>	<u>\$ 37,077</u>	

  

Year Ending June 30,	<u>Series 2012</u> Issued June 1, 2012				<u>Total</u>			
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2015	1.05 %	\$ 65,000	\$ 5,005		\$ 695,000	\$ 53,498	\$ 748,498	
2016	1.25	65,000	4,323		705,000	40,215	745,215	
2017	1.50	65,000	3,510		720,000	26,602	746,602	
2018	1.80	65,000	2,535		360,000	14,535	374,535	
2019	2.10	60,000	1,260		365,000	7,360	372,360	
		<u>\$ 320,000</u>	<u>\$ 16,633</u>		<u>\$ 2,845,000</u>	<u>\$ 142,210</u>	<u>\$ 2,987,210</u>	

During the year ended June 30, 2014, the County issued \$1,455,000 and retired \$695,000 of general obligation capital loan notes.

On October 18, 2011, the County issued \$1,415,000 of General Obligation Crossover Refunding Capital Loan Notes, Series 2011A to advance refund the General Obligation Capital Loan Notes, Series 2007. The bonds are due in varying annual installments each June 1, from June 1, 2014 through June 1, 2017, with an interest rate ranging from 1.45% to 2.00% due semiannually on June 1 and December 1. The County reduced its total debt service payments by \$43,854 and obtained an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$42,298. Future property tax levies are dedicated to the retirement of these notes.

The Des Moines County Regional Solid Waste Commission has agreed to pay the County for the principal and interest on the Series 2011A capital loan notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding on these general obligation capital loan notes.

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease a telephone system and a data storage system. The following is a schedule of the future minimum lease payments, including interest at 12.516% and 5.389% per annum, respectively and the present value of net minimum lease payments under the agreements in effect at June 30, 2014:

<u>Year Ended</u> <u>June 30,</u>	
2015	\$ 13,252
2016	5,978
Total minimum lease payments	19,230
Less amount representing interest	(1,588)
Present value of net minimum lease payments	\$ <u>17,642</u>

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 6: LONG-TERM LIABILITIES (Continued)

Payments under capital lease purchase agreements totaled \$46,581 for the year ended June 30, 2014.

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$730,045, \$711,969 and \$679,686, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Des Moines County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2014 were \$242,487.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 8: RISK MANAGEMENT (Continued)

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 151 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Employee Benefits Systems. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	50,233
Interest on net OPEB obligation		789
Adjustment to annual required contribution		<u>(2,522)</u>
Annual OPEB cost		48,500
Contributions made		<u>(49,308)</u>
Decrease in net OPEB cost		(808)
Net OPEB obligation beginning of year		<u>63,151</u>
Net OPEB obligation end of year	\$	<u>62,343</u>



DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$49,308 to the medical plan. Plan members eligible for benefits contributed \$81,302 or 62% of the premium costs.

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ <u>49,038</u>	72.9%	\$ <u>56,530</u>
2013	\$ <u>48,683</u>	86.4%	\$ <u>63,151</u>
2014	\$ <u>48,500</u>	101.7%	\$ <u>62,343</u>

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$593,301 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$593,301. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,578,876 and the ratio of the UAAL to covered payroll was 7.83%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1.25% discount rate based on the County's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries. They were adjusted to reflect the recent lower termination rates experienced by Des Moines County. Retirement rates used in the actuarial valuation were developed based upon recent Des Moines County experience.

DES MOINES COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Projected claim costs of the medical plan are \$469 (\$1,215 for retiree and spouse coverage) per month for retirees less than age 65. The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level dollar amount over 30 years.

NOTE 10: EMPLOYEE HEALTH INSURANCE PLAN

The County, in conjunction with the City of Burlington, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized by Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRAA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is partially self insured. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Des Moines County/City of Burlington Health Care Plan was \$583,751 at June 30, 2014. The plan had unaudited claims expense, after reinsurance reimbursement, of \$6,438,750 for the plan year ended June 30, 2014.

NOTE 11: PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

NOTE 12: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2014 the County had signed several construction contracts that are summarized below:

Total commitments	\$	792,500
Less amounts paid or accrued		-
Remaining commitments	\$	<u>792,500</u>

The remaining balance at June 30, 2014 will be paid as work on the projects progress.

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2013 have been reclassified to conform with June 30, 2014 presentation.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 14, 2015, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

DES MOINES COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

	Governmental Funds <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
		<u>Original</u>	<u>Final</u>	
<b>RECEIPTS:</b>				
Property and other county tax	\$ 14,977,718	\$ 15,036,283	\$ 15,036,283	\$ (58,565)
Interest and penalty on property tax	160,934	131,800	131,800	29,134
Intergovernmental	6,241,312	5,650,321	6,779,193	(537,881)
Licenses and permits	69,892	49,875	49,875	20,017
Charges for service	904,354	1,007,842	1,007,842	(103,488)
Use of money and property	130,804	122,305	122,305	8,499
Miscellaneous	498,234	357,400	365,571	132,663
Total receipts	<u>22,983,248</u>	<u>22,355,826</u>	<u>23,492,869</u>	<u>(509,621)</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	6,296,126	6,613,175	6,631,075	334,949
Physical health and social services	1,402,373	1,615,592	1,703,487	301,114
Mental health	1,385,557	2,522,762	2,522,762	1,137,205
County environment and education	1,626,533	2,200,703	2,801,703	1,175,170
Roads and transportation	5,316,770	4,989,429	6,110,429	793,659
Governmental services to residents	978,969	1,029,391	1,029,391	50,422
Administration	2,953,130	3,623,603	3,623,603	670,473
Debt service	751,475	755,748	762,998	11,523
Capital projects	814,381	810,000	810,000	(4,381)
Total disbursements	<u>21,525,314</u>	<u>24,160,403</u>	<u>25,995,448</u>	<u>4,470,134</u>
Excess (deficiency) of receipts over (under) disbursements	1,457,934	(1,804,577)	(2,502,579)	3,960,513
Other financing sources, net	<u>1,472,259</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>(27,741)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,930,193	(304,577)	(1,002,579)	3,932,772
<b>BALANCE - Beginning of year</b>	<u>7,246,789</u>	<u>5,570,715</u>	<u>7,246,789</u>	<u>-</u>
<b>BALANCE - End of year</b>	\$ <u>10,176,982</u>	\$ <u>5,266,138</u>	\$ <u>6,244,210</u>	\$ <u>3,932,772</u>

DES MOINES COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 22,983,248	\$ (182,293)	\$ 22,800,955
Expenditures	<u>21,525,314</u>	<u>92,258</u>	<u>21,617,572</u>
Net	1,457,934	(274,551)	1,183,383
Other financing sources, net	1,472,259	(17,259)	1,455,000
Beginning fund balance	<u>7,246,789</u>	<u>2,059,628</u>	<u>9,306,417</u>
Ending fund balance	\$ <u>10,176,982</u>	\$ <u>1,767,818</u>	\$ <u>11,944,800</u>

DES MOINES COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2014

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,835,045. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in capital projects function.

DES MOINES COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Actuarial Accrued Liability (AAL) ( b )</u>	<u>Unfunded AAL (UAAL) ( b - a )</u>	<u>Funded Ratio ( a/b )</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll ( (b-a)/c )</u>
2010	July 1, 2008	\$ -	\$ 395,572	\$ 395,572	0.00%	\$ 7,700,000	5.14%
2011	July 1, 2008	\$ -	\$ 395,572	\$ 395,572	0.00%	\$ 7,900,000	5.01%
2012	July 1, 2011	\$ -	\$ 593,301	\$ 593,301	0.00%	\$ 7,658,393	7.75%
2013	July 1, 2011	\$ -	\$ 593,301	\$ 593,301	0.00%	\$ 7,492,668	7.92%
2014	July 1, 2011	\$ -	\$ 593,301	\$ 593,301	0.00%	\$ 7,578,876	7.83%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION



DES MOINES COUNTY, IOWA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>Special Revenue</u>		<u>Total</u>
	<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 112,481	\$ 11,866	\$ 124,347
Receivables:			
Accounts receivable	-	611	611
Accrued interest	18		18
<b>TOTAL ASSETS</b>	<b>\$ 112,499</b>	<b>\$ 12,477</b>	<b>\$ 124,976</b>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
None	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	112,499	12,477	124,976
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 112,499</b>	<b>\$ 12,477</b>	<b>\$ 124,976</b>

## DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	Resource Enhancement and <u>Protection</u>	County Recorder's Records <u>Management</u>	<u>Total</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 22,632	\$ -	\$ 22,632
Charges for service	-	6,614	6,614
Use of money and property	184	1	185
Total revenues	<u>22,816</u>	<u>6,615</u>	<u>29,431</u>
<u>EXPENDITURES:</u>			
Operating:			
Governmental services to residents	-	2,401	2,401
Total expenditures	<u>-</u>	<u>2,401</u>	<u>2,401</u>
Excess of revenues over expenditures	22,816	4,214	27,030
<u>FUND BALANCES</u> - Beginning of year	<u>89,683</u>	<u>8,263</u>	<u>97,946</u>
<u>FUND BALANCES</u> - End of year	\$ <u>112,499</u>	\$ <u>12,477</u>	\$ <u>124,976</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2014

	<u>County Offices</u>	<u>Corporations</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ -	\$ 280,733
Other County officials	183,266	-
Receivables:		
Accounts receivable	-	-
Accrued interest	-	-
Property tax:		
Delinquent	-	89,615
Succeeding year	-	17,024,610
Due from other governments	-	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ <u>183,266</u>	\$ <u>17,394,958</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other governments	56,954	17,394,958
Compensated absences	-	-
Trusts payable	<u>126,312</u>	<hr/>
	<hr/>	<hr/>
TOTAL LIABILITIES	\$ <u>183,266</u>	\$ <u>17,394,958</u>

<u>Townships</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ 2,987	\$ 287,516	\$ 19,253
-	-	-
-	-	-
1,515	110,592	7,659
287,885	21,009,676	1,455,081
-	8,738	-
\$ <u>292,387</u>	\$ <u>21,416,522</u>	\$ <u>1,481,993</u>
\$ -	\$ -	\$ -
292,387	21,416,522	1,481,993
-	-	-
\$ <u>292,387</u>	\$ <u>21,416,522</u>	\$ <u>1,481,993</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2014

	<u>Drainage and Levee Districts</u>	<u>County Assessor</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ 20,419	\$ 1,490,750
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Accrued interest	-	-
Property tax:		
Delinquent	-	2,875
Succeeding year	-	546,093
Due from other governments	-	-
	<u>20,419</u>	<u>2,039,718</u>
TOTAL ASSETS	\$ <u>20,419</u>	\$ <u>2,039,718</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 972
Due to other governments	20,419	1,999,748
Salaries and benefits payable	-	906
Compensated absences	-	38,092
Trusts payable	-	-
	<u>20,419</u>	<u>2,039,718</u>
TOTAL LIABILITIES	\$ <u>20,419</u>	\$ <u>2,039,718</u>

Schedule 3  
(Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
\$ 3,721	\$ 937,480	\$ 7,533	\$ 456,995	\$ 3,507,387
-	-	-	-	183,266
-	-	-	56,031	56,031
-	-	-	62	62
1,393	-	-	59	213,708
264,573	-	-	11,231	40,599,149
-	-	-	65,362	74,100
<u>\$ 269,687</u>	<u>\$ 937,480</u>	<u>\$ 7,533</u>	<u>\$ 589,740</u>	<u>\$ 44,633,703</u>
\$ -	\$ -	\$ -	\$ 17,100	\$ 18,072
269,687	937,480	7,533	561,176	44,438,857
-	-	-	680	1,586
-	-	-	10,784	48,876
-	-	-	-	126,312
<u>\$ 269,687</u>	<u>\$ 937,480</u>	<u>\$ 7,533</u>	<u>\$ 589,740</u>	<u>\$ 44,633,703</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>	<u>Corporations</u>
Balances beginning of year	\$ <u>239,063</u>	\$ <u>17,572,692</u>
Additions:		
Property and other County tax	-	16,174,290
E911 surcharge	-	-
State tax credits	-	652,280
Assessments	-	-
Office fees and collections	138,311	-
Auto licenses, use tax and postage	-	-
Trusts	1,714,289	-
Miscellaneous	-	-
Total additions	<u>1,852,600</u>	<u>16,826,570</u>
Deductions:		
Agency remittances:		
To other funds	23,694	-
To other governments	98,983	17,004,304
Trusts paid out	<u>1,785,720</u>	-
Total deductions	<u>1,908,397</u>	<u>17,004,304</u>
Balances end of year	\$ <u>183,266</u>	\$ <u>17,394,958</u>

<u>Townships</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ <u>311,780</u>	\$ <u>22,038,206</u>	\$ <u>1,453,833</u>
273,169	19,903,102	1,381,506
-	-	-
12,501	924,957	61,513
-	-	-
-	-	-
-	-	-
-	8,738	-
<u>285,670</u>	<u>20,836,797</u>	<u>1,443,019</u>
-	-	-
305,063	21,458,481	1,414,859
-	-	-
<u>305,063</u>	<u>21,458,481</u>	<u>1,414,859</u>
\$ <u>292,387</u>	\$ <u>21,416,522</u>	\$ <u>1,481,993</u>



DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
YEAR ENDED JUNE 30, 2014

<u>ASSETS AND LIABILITIES</u>	<u>Drainage and Levee Districts</u>	<u>County Assessor</u>	<u>Agricultural Extension Education</u>
Balances beginning of year	\$ <u>26,156</u>	\$ <u>1,990,902</u>	\$ <u>281,102</u>
Additions:			
Property and other County tax	-	517,313	250,155
E911 surcharge	-	-	-
State tax credits	-	24,087	12,031
Assessments	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	<u>897,498</u>	<u>292</u>	<u>-</u>
Total additions	<u>897,498</u>	<u>541,692</u>	<u>262,186</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	<u>903,235</u>	<u>492,876</u>	<u>273,601</u>
Trusts paid out	-	-	-
Total deductions	<u>903,235</u>	<u>492,876</u>	<u>273,601</u>
Balances end of year	\$ <u>20,419</u>	\$ <u>2,039,718</u>	\$ <u>269,687</u>

Schedule 4  
(Continued)

<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
\$ <u>824,825</u>	\$ <u>10,221</u>	\$ <u>399,420</u>	\$ <u>45,148,200</u>
-	-	62,836	38,562,371
-	-	240,122	240,122
-	-	199	1,687,568
-	39,523	-	39,523
-	-	-	138,311
10,244,258	-	-	10,244,258
-	-	1,025,026	2,739,315
-	-	240,608	1,147,136
<u>10,244,258</u>	<u>39,523</u>	<u>1,568,791</u>	<u>54,798,604</u>
311,716	-	-	335,410
9,819,887	42,211	353,445	52,166,945
-	-	1,025,026	2,810,746
<u>10,131,603</u>	<u>42,211</u>	<u>1,378,471</u>	<u>55,313,101</u>
\$ <u>937,480</u>	\$ <u>7,533</u>	\$ <u>589,740</u>	\$ <u>44,633,703</u>

DES MOINES COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES:</b>				
Property and other county tax	\$ 13,316,119	\$ 13,218,243	\$ 14,508,571	\$ 14,295,704
Interest and penalty on property tax	160,934	148,982	120,038	164,529
Local option sales tax	1,650,432	1,670,198	*	*
Intergovernmental	6,087,227	6,156,831	8,329,812	8,618,044
Licenses and permits	70,557	71,584	71,096	61,673
Charges for service	911,329	913,144	764,731	904,936
Use of money and property	148,348	131,622	297,802	174,023
Miscellaneous	<u>456,009</u>	<u>520,241</u>	<u>375,060</u>	<u>468,323</u>
<b>Total</b>	<b>\$ <u>22,800,955</u></b>	<b>\$ <u>22,830,845</u></b>	<b>\$ <u>24,467,110</u></b>	<b>\$ <u>24,687,232</u></b>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services	\$ 6,292,096	\$ 6,076,535	\$ 6,513,998	\$ 6,142,696
Physical health and social services	1,377,653	1,387,670	1,301,073	1,476,490
Mental health	1,418,848	1,396,397	5,012,235	4,479,644
County environment and education	1,757,044	1,803,483	1,538,878	1,524,908
Roads and transportation	5,244,045	4,514,002	4,326,614	4,712,600
Governmental services to residents	986,199	955,650	977,838	947,329
Administration	2,971,875	3,279,949	3,255,349	3,213,391
Debt service	751,475	2,122,743	702,244	682,120
Capital projects	<u>818,337</u>	<u>688,008</u>	<u>1,264,333</u>	<u>2,881,161</u>
<b>Total</b>	<b>\$ <u>21,617,572</u></b>	<b>\$ <u>22,224,437</u></b>	<b>\$ <u>24,892,562</u></b>	<b>\$ <u>26,060,339</u></b>

\* Local option sales tax included in Property and other taxes

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 13,714,359	\$ 12,258,888	\$ 12,164,999	\$ 11,965,029	\$ 12,112,014	\$ 12,006,165
163,033	139,080	155,192	146,154	130,631	115,554
9,556,689	8,878,429	7,437,076	8,985,811	8,508,380	8,913,042
58,191	49,801	46,595	46,448	42,840	43,784
846,341	839,550	889,796	878,146	972,357	827,429
185,716	246,963	562,031	727,814	527,215	235,286
<u>370,777</u>	<u>771,771</u>	<u>555,803</u>	<u>526,168</u>	<u>598,159</u>	<u>370,840</u>
\$ <u>24,895,106</u>	\$ <u>23,184,482</u>	\$ <u>21,811,492</u>	\$ <u>23,275,570</u>	\$ <u>22,891,596</u>	\$ <u>22,512,100</u>
\$ 5,944,231	\$ 5,587,657	\$ 6,132,958	\$ 5,119,567	\$ 4,705,552	\$ 4,681,993
1,716,480	2,249,501	2,722,094	2,193,961	2,067,305	2,161,440
4,146,119	3,964,269	4,331,182	3,692,161	3,629,867	3,200,582
1,029,673	1,293,605	1,505,475	1,714,377	1,015,426	975,386
4,331,366	4,312,514	4,212,851	3,026,353	4,334,384	3,339,170
983,904	931,875	867,939	702,324	909,301	682,478
3,416,506	3,132,367	3,360,284	4,335,439	4,678,468	3,621,634
680,164	578,263	523,361	198,327	140,324	16,871
<u>3,010,231</u>	<u>1,445,472</u>	<u>1,273,863</u>	<u>1,820,955</u>	<u>1,074,528</u>	<u>2,948,601</u>
\$ <u>25,258,674</u>	\$ <u>23,495,523</u>	\$ <u>24,930,007</u>	\$ <u>22,803,464</u>	\$ <u>22,555,155</u>	\$ <u>21,628,155</u>

## DES MOINES COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u>			
<u>United States Department of Agriculture:</u>			
Iowa Department of Human Services:			
State Administration Matching Grants for the Supplemental Nutrition Program	10.561	-	\$ <u>22,907</u>
<u>United States Department of Defense:</u>			
Iowa Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112	-	<u>9,352</u>
<u>United States Department of Justice:</u>			
Iowa Department of Justice:			
Criminal Victim Assistance	16.575	VA-12-07	<u>21,357</u>
<u>United States Department of Housing and Urban Development:</u>			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	13-CF-006	<u>271,917</u>
<u>United States Department of Transportation:</u>			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	ER-C029(74)-58-29	385,849
Highway Planning and Construction	20.205	STP-ES-E-C029(057)-8T-29	<u>182,341</u>
			<u>568,190</u>
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	-	<u>2,907</u>
<u>United States Department of Homeland Security:</u>			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	-	<u>34,120</u>
<u>United States Department of Health and Human Services:</u>			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	5883I425	5,000
Immunization Cooperative Agreements	93.268	5884I425	<u>13,203</u>
			<u>18,203</u>
Public Health Emergency Preparedness	93.069	5883BT29	8,010
Public Health Emergency Preparedness	93.069	5884BT29	<u>59,940</u>
			<u>67,950</u>
Iowa Department of Human Services:			
Refugee and Entrant Assistance - State Administered Programs	93.566	-	<u>52</u>
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	-	<u>6,709</u>

DES MOINES COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT: (Continued)</u>			
<u>United States Department of Health and Human Services:</u>			
(Continued)			
Iowa Department of Human Services: (Continued)			
Foster Care Title IV-E	93.658	-	<u>8,758</u>
Adoption Assistance	93.659	-	<u>2,943</u>
Social Services Block Grant	93.667	-	<u>93,636</u>
Child's Health Insurance Program	93.767	-	<u>94</u>
Medical Assistance Program	93.778	-	<u>37,058</u>
<u>United States Department of Homeland Security:</u>			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters	97.036	-	<u>258,339</u>
Iowa Northland Regional Council on Governments:			
Homeland Security Grant Program	97.067	-	<u>5,196</u>
 Total			 \$ <u>1,429,688</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Des Moines County, Iowa and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Des Moines, Iowa:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Des Moines County, Iowa's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Des Moines County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Des Moines County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 14-II-A to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Des Moines County's Response to Findings

Des Moines County, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Des Moines County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Des Moines County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 14, 2015



INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Officials of Des Moines County, Iowa

Report on Compliance for Each Major Federal Program

We have audited Des Moines County, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have direct and material effect on each of its major federal programs for the year ended June 30, 2014. Des Moines County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Des Moines County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Des Moines County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Des Moines County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Des Moines County, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of non-compliance which are required to be reported in accordance with OMB Circular A-133. Our opinion on the major federal programs is not modified with respect to this matter.

Report on Internal Control over Compliance

The management of Des Moines County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Des Moines County, Iowa's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Des Moines County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
January 14, 2015

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Numbers: 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii  
20.205 Highway Planning and Construction
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Des Moines County qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

14-II-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- 1) Conservation – Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.
- 2) Sheriff (Civil) – Checks are not signed by an individual who does not participate in the preparation of the checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses –

Conservation – All collections are reviewed by the Director prior to forwarding to the Treasurer's office for deposit.

Sheriff – The office is currently using a supervisor to do a random review on checks written by the civil division. That supervisor then initials the report which documents the checks which were reviewed. In the future, a copy of reports that are reviewed will be kept in a separate file for the independent auditor.

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

Part II: Findings Related to the Financial Statements (Continued)

14-II-A Segregation of Duties (Continued)

Conclusions – Responses accepted

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- 14-IV-A Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the capital projects function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required.

Conclusion – Response accepted.

- 14-IV-B Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 14-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- 14-IV-D Business transactions – No business transactions between the County and County officials or employees were noted.

- 14-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- 14-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- 14-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 14-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 14-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2014 for the County Extension Office did not exceed the amount budgeted.